

2013 DRAFTING REQUEST

Bill

Received: **11/8/2012** Received By: **jkreye**
 Wanted: **As time permits** Same as LRB:
 For: **Administration-Budget** By/Representing: **Ley**
 May Contact: Drafter: **jkreye**
 Subject: **Tax, Other - sales** Addl. Drafters:
 Extra Copies:

Submit via email: **YES**
 Requester's email:
 Carbon copy (CC) to:

Pre Topic:

DOA:.....Ley, BB0228 -

Topic:

Sales tax exemption for services resulting in advertising and promotional direct mail

Instructions:

See attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	jkreye 11/9/2012						
/P1		scalvin 11/12/2012	jmurphy 11/12/2012		sbasford 11/12/2012		State S&L Tax

FE Sent For:

<END>

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1/?	jkreye	PI SAC 11/12/12	PI SAC 11/12/12	Jan 11/12/12			

FE Sent For:

<END>

Kreye, Joseph

520

From: Hanaman, Cathlene
Sent: Thursday, November 08, 2012 3:06 PM
To: Kreye, Joseph; Shovers, Marc
Subject: FW: Statutory Language Drafting Request - BB0228
Attachments: APDM Sales Tax Exemption.pdf

From: Emily.Ley@wisconsin.gov [mailto:Emily.Ley@wisconsin.gov]
Sent: Thursday, November 08, 2012 3:06 PM
To: Hanaman, Cathlene
Cc: Thornton, Scott - DOA; Frederick, Caitlin - DOA
Subject: Statutory Language Drafting Request - BB0228

Biennial Budget: 2013-15

Topic: Sales Tax Exemption for services resulting in advertising and promotional direct mail

Tracking Code: BB0228

SBO Team: TLGED

SBO Analyst: Ley, Emily - DOA
Phone: 608-266-7597
E-mail: Emily.Ley@wisconsin.gov

Agency Acronym: DOR

Agency Number: 566

Priority: Medium

Intent: Extend the sales and use tax exemption for the sale of advertising and promotional mail to cover services that result in advertising and promotional mail. Exempting services in the tax treatment of the sale of advertising and promotional mail would be consistent with the tax treatment of the sale of paper that results in advertising for catalogs.

Attachments: True

Please send completed drafts to statlanguage@wisapps.wi.gov

Sales tax Exemption for
TITLE: SERVICES RESULTING IN ADVERTISING AND PROMOTIONAL DIRECT MAIL

DESCRIPTION OF CURRENT LAW AND PROBLEM

An exemption for the sale of advertising and promotional mail (APDM) becomes effective on July 1, 2013. The exemption does not extend to services that result in APDM (e.g., printing services). The industry may be anticipating that such services will be exempt from tax.

The exemption for APDM is provided in sec. 77.54(59), Wis. Stats., which was created by 2011 Wis. Act 32. In order to meet the definition of APDM, a product must meet the definition of "direct mail." "Direct mail," as defined in sec. 77.51(3pd), Wis. Stats. (2009-10), is limited to the printed material. It does not include services resulting in the printed material.

A similar exemption exists for the sale of advertising catalogs and their mailing envelopes. (Section 77.54(25m), Wis. Stats.) Services, such as printing services, that result in exempt catalogs are, however, exempt from tax. (Section 77.52(2)(a)11, Wis. Stats.) It is assumed that the printing industry is expecting that the exemption for APDM will be similar to the exemption for advertising catalogs and, as such, the services that result in APDM would also be exempt.

Note: The sale of paper to a person who provides the paper to a printer, who then uses that paper to manufacture APDM, is taxable when the APDM is mailed to addresses in Wisconsin. This tax treatment is consistent with the tax treatment of the sale of paper that results in advertising catalogs

RECOMMENDATION FOR ACTION

Amend the statute that imposes tax on printing services to state that printing services to items exempt under sec. 77.54(59), Wis. Stats., are not taxable. This would make the exemption for APDM consistent with the exemption for advertising catalogs.

IMPACT ON JOB CREATION

None.

FISCAL EFFECT

The fiscal effect of expanding the exemption to include services resulting in APDM is expected to be minimal. The current law exemption for APDM (effective July 1, 2013) is estimated to decrease state sales tax revenue by \$500,000 annually. This amount includes the revenue decrease resulting from an exemption for services resulting in ADPM.

DRAFTING INSTRUCTIONS

Amend sec. 77.52(2)(a)11, Wis. Stats., to include sub. (59), as follows:

The producing, fabricating, processing, printing, or imprinting of tangible personal property or items, property, or goods under s. 77.52 (1) (b), (c), or (d) for a consideration for consumers who furnish directly or indirectly the materials used in

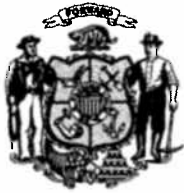
the producing, fabricating, processing, printing, or imprinting. This subdivision does not apply to the printing or imprinting of tangible personal property or items, property, or goods under s. 77.52 (1) (b), (c), or (d) that results in printed material, catalogs, or envelopes that are exempt under s. 77.54 (25), ~~or (25m)~~, or (59).

EFFECTIVE DATE AND/OR INITIAL APPLICABILITY

July 1, 2013, which is the date that the exemption for APDM becomes effective.

INTERESTED/AFFECTED PARTIES

The printing industry, as well as businesses purchasing services resulting in APDM from printers.



State of Wisconsin
2013 - 2014 LEGISLATURE



LRB-0520/P1

JK:Y:...

SAC

DOA:.....Ley, BB0228 - Sales tax exemption for services resulting in advertising and promotional direct mail

FOR 2013-2015 BUDGET — NOT READY FOR INTRODUCTION

in 11-9-12

do not give

1 AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

TAXATION

OTHER TAXATION

Under current law, the printing of tangible personal property is not a service subject to the sales and use tax if it results in catalogs or other printed materials designed to promote the sale of merchandise. Under this bill, printing of tangible property that results in advertising and promotional direct mail is also not subject to the sales and use tax.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

2 SECTION 1. 77.52 (2) (a) 11. of the statutes is amended to read:

77.52 (2) (a) 11. The producing, fabricating, processing, printing, or imprinting of tangible personal property or items, property, or goods under s. ~~77.52 sub.~~ (1) (b), (c), or (d) for a consideration for consumers who furnish directly or indirectly the materials used in the producing, fabricating, processing, printing, or imprinting. This subdivision does not apply to the printing or imprinting of tangible personal property or items, property, or goods under s. ~~77.52 sub.~~ (1) (b), (c), or (d) that results in printed material, catalogs, or envelopes that are exempt under s. 77.54 (25) or (25m), or (59).

History: 1973 c. 156; 1975 c. 39; 1977 c. 29, 142, 418; 1979 c. 174, 221; 1981 c. 20, 317; 1983 a. 2, 27; 1983 a. 189 ss. 99, 103, 107, 329 (12); 1983 a. 341, 510, 544; 1985 a. 29, 149; 1987 a. 27, 399; 1989 a. 319, 335; 1991 a. 39, 316; 1993 a. 112, 213, 308, 437; 1995 a. 27, 225, 351; 1997 a. 27, 237, 291; 1999 a. 9, 83; 1999 a. 150 s. 672; 2001 a. 16, 104, 109; 2003 a. 33, 321; 2005 a. 149, 327, 344; 2007 a. 11, 20, 42, 97; 2009 a. 2, 12, 28, 330; 2011 a. 18, 32.

SECTION 9437. Effective dates; Revenue.

(1) ADVERTISING AND PROMOTIONAL DIRECT MAIL EXEMPTION. The treatment of section 77.52 (2) (a) 11. of the statutes takes effect on July 1, 2013.

(END)



State of Wisconsin
2013 - 2014 LEGISLATURE



LRB-0520/P1

JK:sac:jm

DOA:.....Ley, BB0228 - Sales tax exemption for services resulting in advertising and promotional direct mail

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